MARATHON OIL CO.
CELESTE GRYNBERG

IBLA 85-712 Decided April 29, 1987

Appeal from a decision of the Utah State Office, Bureau of Land Management, denying consolidation of oil and gas leases U-40749 and U-47210.

Affirmed.

1. Oil and Gas Leases: Consolidation

A decision denying a request for consolidation of oil and gas leases will be affirmed on appeal where the applicants have failed to show that consolidation would be in the interests of conservation.

APPEARANCES: Phillip D. Barber, Esq., Denver, Colorado, for appellants.

OPINION BY ADMINISTRATIVE JUDGE GRANT

Marathon Oil Company and Celeste C. Grynberg have appealed a May 15, 1985, decision of the Utah State Office, Bureau of Land Management (BLM), which denied their request for consolidation of leases U-40749 and U-47210. In support of the decision BLM stated that "[a]s a general rule lease consolidation is not considered favorably. The policy is to deny applications for consolidation, which cannot be adequately justified. In this case it is not in the interest of conservation, at this time, to approve the consolidation. The only benefit derived would be to enable the lessees to simplify their accounting procedure."

It appears from the record that all of the lands embraced in the two leases were initially included in lease U-40749 issued with an effective date of September 1, 1978. Subsequently, some of the lands embraced in the lease were committed to the Horsehead Canyon Unit Agreement approved effective September 23, 1980. As set forth in a prior BLM decision dated October 27, 1980, this action had the effect of segregating the lands into two separate leases with the lease describing those lands committed to the unit retaining lease number U-40749 and those leased lands outside the unit assigned lease number U-47210. 30 U.S.C. § 226(j) (1982); 43 CFR 3107.3-2. Appellants indicate in their brief that the Horsehead Canyon Unit Agreement subsequently terminated on November 24, 1980.

In their statement of reasons and supporting affidavits, appellants contend that lease consolidation would eliminate the need for drilling unnecessary wells that would not increase production and thus would reduce operating costs and conserve natural resources. In a supporting affidavit, appellants contend consolidation would allow them to:

> [M]inimize operating costs and conduct our operations in a more efficient manner. For example, we could avoid drilling unnecessary wells and could use a common tank battery. If the wells could be drilled solely upon the consideration of efficient recover and operations, as opposed to considerations such as holding all leases by production, a more economical drilling plan might be formulated. We believe that any secondary or tertiary recovery operations would be more efficiently carried out by consolidating our leases for the same reasons as were stated for primary drilling operations.

[1] Departmental regulations governing oil and gas leasing formerly provided explicit authorization for consolidation of oil and gas leases:

> Consolidation of leases may be approved if it is determined that there is sufficient justification. Each application will be considered on its own merits. Ordinarily, leases to different lessees for different terms, rental, and royalty rates as well as those containing provisions of law which cannot be reconciled, will not be considered for consolidation. The effective date of the consolidation lease will be that of the oldest lease involved.

43 CFR 3105.6 (1982). This regulation was subsequently deleted without comment in the 1983 revision and recodification of the oil and gas leasing regulations. 48 FR 33648 (July 22, 1983). The Board has held approval of applications for consolidation under this regulation is discretionary with BLM and has affirmed rejection of an application for consolidation of leases previously segregated by partial commitment to a unit agreement where it was not shown to be beneficial to the Government. Conoco, Inc., 80 IBLA 161, 91 I.D. 181 (1984). The leases in Conoco, however, unlike those in the present lease, had different status (producing versus rental) and lease terms at the time consolidation was denied.

In Vukasovich Drilling Co., 83 IBLA 9 (1984), involving several leases with the same term assigned out of the original lease, the Board affirmed denial of a consolidation request under the regulation at 43 CFR 3105.6 (1982) where appellant claimed, as have appellants in this case, that consolidation would be consistent with economic and orderly development of the leases. The Board held there must be a showing by the applicant that the interests of conservation will be served by consolidation and that appellant had failed to sustain the burden. Id. at 10. Despite appellants' attempt on appeal to make such a showing in this case, they have mainly shown that only one well would be necessary to sustain the leases in the event of consolidation. They have not shown how the drilling of more than one well would defeat the interests of conservation. We note that each of the leases embraces at least 640 acres so that state well spacing requirements should pose no barrier to development of the leases. Accordingly, we find no basis has been established for reversal of the BLM decision.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is affirmed.

C. Randall Grant, Jr.
Administrative Judge

We concur:

John H. Kelly
Administrative Judge

James L. Burski
Administrative Judge